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9 October 1958

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: USIA Memorandum on Communist Propaganda Expenditures

1. We believe the USIA estimate of Communist expenditures on propaganda represents a worthwhile effort to show the magnitude of the activities directed at the Free World. It is our opinion, however, that the standard of measurement, i.e. what it would cost us to duplicate the activity, tends to exaggerate the Communists' real costs.

2. Propaganda materials, such as books and motion pictures, are probably produced more cheaply in the Bloc countries than in the United States. The mechanism of International Communism, moreover, gives these countries advantages in the propaganda field. Much Communist propaganda work is carried on by organizations, especially local parties, that are supported for other purposes as well. Overheads are thus shared. Another way Communist propaganda is financed "on the cheap" is through the use of business type enterprises. In Italy, for example, some of the profits of party controlled cooperatives and of concerns trading with the Bloc are available for propaganda activities.

3. In preparing our two studies on the Moscow Youth Festival, we have attempted to arrive at some estimate of the cost of this major propaganda effort of the Communists. We have stated the cost to have been between \$100,000,000 and \$150,000,000, figures which have no factual basis but the estimates of expenditure on previous Festivals and the reports of journalists and official observers.

25X1X7 [REDACTED] About \$30,000,000 was reportedly spent on permanent improvements in Moscow - stadiums, halls, recreational facilities - and the refurbishment of existing structures. Even the balance seems to place the Festival's cost rather high. If the Soviet government and the cooperating front organizations spent \$1,000 to transport and entertain each of the estimated 35,000 foreign visitors, the cost would come to \$35,000,000. This seems a liberal estimate in view of the facts that many of the visitors came from Europe, traveled at excursion rates, and either paid their own fares or were helped by local committees. The USIA estimate of the Festival's cost, \$125,000,000, 7 is simply a split of the difference in our figures.

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4. Mr. Nadler of USIA recognizes the imprecision of most of the figures in his estimate and hopes that more accurate field reporting will provide better data for future calculations.

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